

Message Text

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ACTION ARA-10

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CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC PRIORITY 1700

INFO USMISSION USUN NEWYORK

AMEMBASSY LONDON

LIMITED OFFICIAL USE SECTION 1 OF 2 GEORGETOWN 1446

DEPARTMENT PASS U.S. DIPLOMATIC POSTS IN COMMONWEALTH COUNTRIES

E.O. 11652: N/A

TAGS: PFOR, PORG, EFIN, EGEN, GY, UN

SUBJECT: COMMONWEALTH FINANCE MINISTERS CONFERENCE ENDS WITH
HIGHLY QUALIFIED ENDORSEMENT OF MCINTYRE REPORT

REF: GEORGETOWN 1438 AND PREVIOUS

1. BEGIN UNCLASSIFIED. SUMMARY: COMMONWEALTH FINANCE MINISTERS
CONFERENCE ENDED WITH FINAL COMMUNIQUE GIVING GENERAL ENDORSEMENT
TO INTERIM REPORT ENTITLED QUOTE TOWARDS A NEW INTERNATIONAL ECO-
RCONOMIC ORDER END QUOTE BY MCINTYRE GROUP BUT WITH STIPULATION THAT
GOVTS NOT NECESSARILY COMMITTED TO EVERY ASPECT OF REPORT. FINAL
COMMUNIQUE ALSO ENDORSED USE OF IMF GOLD TO PROVIDE CONCESSIONARY
ASSISTANCE, EASING, EXTENSION AND EXPANDING OF IMF OIL FACILITY,
AND ENDORSEMENT OF 0.7 PERCENT OF GNP FOR AID. ESTABLISHMENT OF
COMMONWEALTH INVESTMENT BANK DEFERRED FOR FURTHER STUDY. U.K;
CANADIAN IFD AUSTRALIAN REP'S SEEM SATISFIED THAT DC INTERESTS HAD
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BEEN PRESERVED WHILE SOME LDC REP'S FELT ENDORSEMENT SHOULD HAVE BEEN

MORE UNQUALIFIED. END SUMMARY.

2. COMMONWEALTH FINANCE MINISTER'S CONFERENCE RUSHED THROUGH REMAINING ITEMS ON AGENDA AFTERNOON AUGUST 28 AFTER HAVING BEEN BOGGED DOWN OVER DEGREE OF ENDORSEMENT TO BE GIVEN INTERIM MCINTYRE GROUP REPORT ON NEW INTERNATIONAL ECONOMIC ORDER. FINAL COMMUNIQUE, AFTER CUSTOMARY PREAMBLE OF APPRECIATION BEGINS WITH SECTION TREATING MCINTYRE REPORT AS QUOTED PARA 2 OF REFTEL. COMMUNIQUE THEN CONTINUES AS FOLLOWS:

BEGIN QUOTE

CURRENT ECONOMIC SITUATION

8. MINISTERS DISCUSSED THE PROBLEMS ARISING FROM THE DEEP AND PROLONGED WORLD ECONOMIC RECESSION, COUPLED WITH CONTINUING, UNACCEPTABLE RATES OF INFLATION, AND PARTICULARLY THEIR SERIOUS EFFECTS ON DEVELOPING COUNTRIES.

9. MINISTERS NOTED WITH GRAVE CONCERN THE CONTINUING AND AGGRAVATED BALANCE OF PAYMENTS PROBLEMS OF MANY DEVELOPING COUNTRIES, WHICH ARE CAUGHT IN A SQUEEZE BETWEEN REDUCED DEMAND AND DEPRESSED PRICES FOR THEIR EXPORTS AND INFLATED PRICES FOR THEIR IMPORTS, AND THE CONSEQUENT SERIOUS ADVERSE EFFECTS ON THE ALREADY INADEQUATE MOMENTUM OF DEVELOPMENT, AND EVEN ON THE MAINTENANCE OF BARE MINIMUM CONDITIONS OF LIFE FOR MILLIONS OF THE WORLD'S PEOPLE.

10. THEY CALLED ON ALL INDUSTRIALIZED COUNTRIES, PARTICULARLY THOSE WITH RELATIVELY STRONG BALANCE OF PAYMENTS, TO TAKE EARLY AND EFFECTIVE ACTION TO LEAD THE WORLD OUT OF THE PRESENT RECESSION AND TO PURSUE POLICIES FOR BRINGING INFLATION UNDER CONTROL.

11. MINISTERS REITERATED THEIR COMMITMENT IN THEIR 1974 COMMUNIQUE TO A ONE-WORLD APPROACH TO ECONOMIC MATTERS. THEY EMPHASIZED THAT INDUSTRIALIZED COUNTRIES SHOULD REFRAIN FROM ATTEMPTING TO SOLVE THEIR ECONOMIC PROBLEMS BY IMPORT RESTRICTIONS, PARTICULARLY RESTRICTIONS ON IMPORTS FROM DEVELOPING COUNTRIES.

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12. WHILE APPRECIATING THAT SOME ADVANCES HAD BEEN MADE TOWARD MONETARY REFORM, MINISTERS EXPRESSED THEIR DISAPPOINTMENT THAT AGREEMENT HAD NOT YET BEEN REACHED ON A NUMBER OF KEY ISSUES. THEY NOTED THE PARTICULAR INTEREST OF DEVELOPING COUNTRIES IN THE SETTLEMENT OF OUTSTANDING ISSUES INCLUDING THE INCREASE IN INTERNATIONAL MONETARY FUND (IMF) QUOTAS, THE ROLE OF GOLD AND REVISED PRINCIPLES FOR EXCHANGE RATE REGIMES, AND THEREFORE STRESSED THE IMPORTANCE OF EARLY RESOLUTION OF ALL REMAINING DIFFICULTIES

PERTAINING TO THEM. THEY URGED AN EARLY AGREEMENT ON GOLD WHICH WOULD PERMIT THE USE OF GOLD AT PRESENT HELD BY THE IMF TO PROVIDE ASSISTANCE ON CONCESSIONARY TERMS TO DEVELOPING COUNTRIES SERIOUSLY AFFECTED BY CURRENT ECONOMIC DEVELOPMENTS. THEY AGREED THAT CONSIDERATION SHOULD BE GIVEN TO EASING THE CONDITINALITY OF THE IMF OIL FACILITY, AND EMPHASIZED THE NEED FOR THE EXTENSION OF THE FACILITY OR AN EQUIVALENT BEYOND 1975.

13. MINISTERS NOTED WITH CONCERN THE DECLINING TREND IN INTERNATIONAL NET AID DISBURSEMENTS AS A PERCENTAGE OF GROSS NATIONAL PRODUCT (GNP), IN SPITE OF A SLIGHT INCREASE IN 1974. THEY EMPHASIZED THE NEED FOR THE EARLY ATTAINMENT OF THE AID TARGET OF 0.7 PERCENT OF GNP AND FOR SUCH AID TO BE PROVIDED AT HIGHLY CONCESSIONARY TERMS UNDER LIBERAR CONDITIONS. THEY NOTED, HOWEVER, THAT IN THE QUANTITY OF OFFICIAL DEVELOPMENT ASSISTANCE, THE PERFORMANCE OF COMMONWEALTH MEMBERS OF THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC) SIGNIFICANTLY EXCEEDSTHAT OF THE DAC COUNTRIES AS A WHOLE, AND THAT THE GRANT ELEMENT IN COMMONWEALTH OFFICIAL DEVELOPMENT ASSISTANCE EXCEEDS THE 84 PERCENT TARGET FOR DAC COUNTRIES. MINISTERS WELCOMED THE ARRANGEMENTS MADE TO PROVIDE LOANS AT INTERMEDIATE INTEEST RATES THROUGH THE WORLD BANK THIRD WINDOW. THEY CALLED FOR INCREASED CONTRIBUTIONS TO THE FUND FOR THIS PURPOSE, AND RECOGNIZED THE NEED TO PROVIDE FLEXIBILITY IN ACCESS TO IT. THEY AGREED THAT FURTHER CONSIDERATION SHOULD BE GIVEN TO PLACING THIS FACILITY ON A MORE PERMANENT BASIS AND FOR PROVIDING WIDER ACCESS TO IT. THEY STRESSED THE URGENCY OF BEGINNING CONSULTATINS ON THE FIFTH REPLENISHMENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION, AND EXPRESSED THE HOPE THAT IT WOULDPROVIDE FOR AN INCREASE IN REAL TERMS. THEY ALSO RECOGNIZED THE IMPORTANCE OF ADDITIONAL FUNDS BEING MADE AVAILABLE TO FINANCE THE IMF OIL FACILITY AND ITS INTEREST SUBSIDY ACCOUNT. MINISTERS WERE OF THE VIEW THAT SERIOUS CONSIDERATION BE GIVEN AS A MATTER OF URGENCY TO THE QUESTION OF DEBT RELIEF FOR DEVELOPING LIMITED OFFICIAL USE

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COUNTRIES. CONT.....

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ACTION ARA-10

INFO OCT-01 EUR-12 IO-10 ISO-00 ARAE-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

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FM AMEMBASSY GEORGETOWN

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LIMITED OFFICIAL USE SECTION 2 OF 2 GEORGETOWN 1446

DEPARTMENT PASS U.S. DIPLOMATIC POSTS IN COMMONWEALTH COUNTRIES

E.O. 11652: N/A

TAGS: PFOR,PORG, EFIN, EGEN, GY, UN

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REF: GEORGETOWN 1438 AND PREVIOUS

COMMONWEALTH FUNCTIONAL COOPERATION

14. COMMONWEALTH FUND FOR TECHNICAL COOPERATION. NOTING THAT PLANNED
EXPENDITURE IN THE CURRENT FINANCIAL YEAR AMOUNTS TO 5.5 MILLION
POUNDS, MINISTERS EXPRESSED THEIR SATISFACTION A THE CONTINUING
GROWTH OF THE COMMONWEALTH FUND FOR TECHNICAL COOPERATION (CFTC) BOTH
IN ITS ACTIVITIES AND ITS RESOURCES. THEY ALSO NOTED THAT DURING
THE PAST YEAR MORE THAN 700PROJECTS WERE UNDERTAKEN, AND, SINCE
THE FUND'S INCEPTIONOVER TEN THOUSAND MAN-MONTHS OF TRAINING HAVE
BEEN PROVIDED IN DEVELOPING COMMONWEALTH COUNTRIES, AND MOVE THAN
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3.6 MILLION POUNDS SPENT OF PROVIDIG EXPERTISE AND TRAINING IN
DEVELOPING COMMONWEALTH COUNTRIES. THEYWELCOMED THE PROGRESS
MADE IN THE TRIENNIAL REVIEW OF THE FUND, AND EXPRESSED THE
HOPE THAT THE FINAL REPORT WOULD BE COMPLETED AT AN EARLY DATE.
THEY STRESSED THE IMPRTANCE OF MAINTAINING THE SPEED OF RESPONSE
AND THE FLEXIBILITY WHICH HAVE CHARACTERIZED THE OPERAIONS OF THE

FUND, AND EMPHASIZED THE PARTICULAR VALUE OF THE FUNDIN DRAWING TO THE MAXIMUM POSSIBLE EXTENT ON THE EXPERTISE AVAILABLE IN COMMONWEALTH DEVELOPING COUNTRIES. A NUMBER OF MINISTERS ANNOUNCED INCREASES IN THEIR GOVTS' CONTRIBUTIONS TO THE FUND.

15. MINISTERS COMMENDED THE WORK OF THE SECRETARIAT IN ASSIST-
ING DEVELOPING COMMONWEALTH COUNTRIES IN THEIR RELATIONS WITH
TRANS-NATIONAL CORPORATIONS AS RECOMMENDED IN THE REPORT OF THE
SEMINAR OF COMMONWEALTH OFFICIALS AND EXPERTS ON THIS TOPIC.
RECOGNIZING THE IMPORTANCE OF THIS TOPIC, THEY NOTED WITH SATIS-
FACTION THAT THE FIRST COMMONWEALTH REGIONALSEMINAR ON RELATIONS
WAS TO BE HELD IN PAPUA/NEW GUINEA EARLY IN 1976, AND AGREED THAT
THE SECRETARIAT SHOULD CONTINUE TO PROVIDE OTHER FORMS OF ASSIST-
ANCE IN THIS FIELD.

16. PROPOSAL TO ESTABLISH A COMMONWEALTH INVESTMENT BANK. MINIS-
TERS EXPRESSED THEIR APPRECIATION OF THE QUALITY OF THE
VARIOUS STUDIES PREPARED IN ESPONSE TO THE REQUESTS OF GOVTS,
BUT DECIDED TO DEFER THEIR DECISION. THEY NOTED, HOWEVER, THAT
THE STUDIES HAD IDENTIFIED CERTAIN NEEDS OF DEVELOPING MEMBER
COUNTRIES FOR THE PROVISIONOF ADDITIONAL RESOURCES, TECHNICAL SER-
VICES AND SPECIALIZED SKILLS. THE SECRETARY-GENERAL WAS ASKED
TO EXAMINE THE EXTENT TO WHICH THE CFTC MIGHT RESPOND TO AT LEAST
SOME OF THE REQUIREMENTS IDENTIFIED AND, AT HIS DISCRETION, TO
RETURN AT SOME SUITABLE TIME TO THE EXPLORATION OF THE EXTENT OF
SUPPORT FOR TH ESTABLISHMENT OF A COMMONWEALTH INVESTMENT BANK
AND THE FORM IT SHOULD TAKE.

END QUOTE

END UNCLASSIFIED.

3. IN CONVERSTIONS EVENING AUGUST 28, DELEGATES OF USTRALIA, U.K.
AND CANADA TOLD ME THAT THEY THOUGHT THERE WAS NOTHING IN COMMUNI-
QUE WHICH WOULD UPSET USG THROUGH NEITHER THEY NOR USG COULD ACCEPT
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SOME RECOMMENDATIONS OF MCINTYRE REPORT. U.K. DELEGATION MEMBER
DID MENTION COMMUNIQUE ITEMON IMF OIL FACILITY AS ONE WHICH USG
WOULD PROBABLY NOT ENDORSE, HOWEVER. NEW ZEALAND DELEGATE
PRIVATELY SAID HIS COUNTRY WOULD HAVE BEENPREPARED TO GO FURTHER IN
COMMUNIQUE, AND SEVERAL LDC DELEGATES EXPRESSED THEIR DISAPPOINT-
MENT THAT ENDORSEMENT OF MCINTYRE REPORT WAS SO QUALIFIED BY
RESERVATINS.

4. GUYANA MINISTER FINANCE HOPE CONFIRMED BURNHAM NOT RPT NOT
GOING TOUNGA TO PRESENT REPORT AND JAMAICAN DELEGATE TOLD ME MANLEY
NOT GOING EITHER.

5. CANADIAN FINANCE MINISTER TURNER ANDPARTY FLYING TO WASHING-

TON IN GOC JET AUGUST 29 IN ADVANCE OF CHARTERED PLANE FOLLOWING
DAY CARRYING MAJORITY DELEGATES TO IMF/IBRD MEETING. HE TOLD ME HE
WOULD CONFER WITH SECRETARY SIMON AFTER ARRIVAL.

6. AS REQUESTED, WE ARE POUCHING TEXTS OF THOSE SPEECHES AND
OTHER DOCUMENTS RELEASED BY PRESS CENTER TO ARA/CAR.
MATTHEWS

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